

EXHIBIT A
AUDIT GUIDELINES

**CPA Prepared Cost Reports for Sound Recording Projects Under \$50,000
And
Auditing Instructions for Projects at \$50,000 and Over**

Purpose/Requirements:

In an effort to ensure compliance with La. R.S. 47:6023, the Louisiana Department of Economic Development is requiring the independent certification of production or infrastructure expenses incurred by sound recording production or infrastructure companies/investors during the creation of state-certified productions or infrastructure projects. As such, a cost report must be 'prepared' by a Louisiana certified public accountant if the total project expenditures are less than fifty thousand dollars (\$50,000.00).

If expenditures are fifty thousand dollars (\$50,000.00) or over, an 'audit' of the production expenditures or the infrastructure expenditures must be performed by an independent Louisiana certified public accountant that will prepare the cost report, selected and paid for by the applicant prior to the granting of any certification by the Office of Entertainment Industry Development. The applicant would not be precluded from engaging its regular independent certified public accountant, if applicable, to perform these engagements.

It is the applicant's responsibility to ensure that all of the required information is provided. Audited schedules that, minimally, do not conform to the guidelines outlined herein will not be accepted. The results of the audit engagement of the specified element may affect the validity of tax credits granted under this program.

Regulation:

Please reference La. R.S. 47:6023 for more information regarding the regulation and the detailed definitions of state-certified expenditures.

General:

The following procedures set forth minimum standards for acceptability of the audit to be performed. The auditor is to make its certification on the basis of having performed, at a minimum, these procedures.

- The auditor must be a Certified Public Accountant licensed in the State of Louisiana and must be an independent third party not related to the applicant.
- The auditor's opinion must be addressed to the party which has engaged the auditor
- The auditor's name, address, and telephone number must be evident on the report.
- The auditor's opinion must be dated as at the completion of the audit fieldwork.
- The audit must be performed in accordance with auditing standards generally accepted in the United States of America and the auditor must have sufficient knowledge of accounting principles and practices generally recognized in the sound recording industry.

Identification of the Production/Infrastructure Project:

- The Production Title of the production, when applicable, must be disclosed.
- The period during which the costs were incurred.
- Infrastructure project location information must be disclosed.

Cost Report of Production Expenditures:

- Only expenditures which were incurred for the production can be recorded as production costs. These costs must be charged to the proper budgetary item.
- Refunds and credit notes received for discounts, rebates, invoicing errors, and purchase returns must be credited to the production costs; similarly, proceeds from the sale of production assets must be deducted from the costs presented in the cost report. In cases where deducted, at fair market value, from the costs presented in the cost report.

Notes to the Cost Report of Production:**Sources of funds:**

- All sources of funds that were used to finance the production must be disclosed.

Non-Louisiana Costs:

- Only those expenditures that were incurred in the State of Louisiana can be included on the cost report.

Related Party Transactions:

- The notes must provide a breakdown of all related party transactions (as defined by the accounting standards), and include the following:
 - The name of the related party
 - The nature of the relationship between the related party and the applicant
 - The nature of the transaction, and
 - The amount of the transaction
- If there are no related party transactions, the cost report must include a note to that effect.

Reporting:

The audit of the cost report of production expenditures or infrastructure expenditures must be conducted in accordance with auditing standards generally accepted in the United States of America. Once the audit engagement is completed, please submit one copy to the Office of Entertainment Industry Development. The auditor's opinion should be accompanied by the cost report of production expenditures or infrastructure expenditures, the notes to the cost report, and a completed CPA Certification Form (attached).

Report Deadline:

The final auditor's opinion must be received by the Office of Entertainment Industry Development prior to any certification of expenditures or granting of tax credits.

EXHIBIT I (letter format)

Independent Auditor's Report (Independent Certified Public Accountants Letterhead)

Investor Name

Address, City, State, and Zip

We have audited the accompanying cost report of production expenditures of **Investor Name** for the period from **inception** through **completion** of the **State Certified Production (Unique ID#)**. The cost report of production expenditures is the responsibility of the **Investor Name**. Our responsibility is to express an opinion on this cost report of production expenditures based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the cost report of production expenditures is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the cost report of production expenditures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall cost report of production expenditures presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the cost report referred to above presents fairly, in all material aspects, the results of operation in Louisiana of **Investor Name** for the period from **inception** through **completion** of the **State Certified Production (Unique ID#)**, in conformity with the accounting and reporting requirements of Louisiana Revised Statue 47:6023 as described in the accompanying Foot Note 1.

Firm's signature / City, State

Report Date

EXHIBIT II (supporting)

Cost Report of Production Expenditures:

Attach the audited Cost Report of Production Expenditures detailing the investor name, State Certified Production (Unique ID#), and the period reviewed.

Notes to the Cost Report of Production Expenditures:

1. General

This cost report of production expenditures represents the production costs attributable to the production entitled "XYZ" produced by the Sound Recording Production **Investor Name** during the period _____ to _____.

2. Sources of funds

As of _____ (insert the ending date of the cost report) the production entitled "XYZ" was financed from the following sources:

The following non-monetary transactions were included in the cost of the production:

Please disclose the nature of the services provided and the consideration given in exchange for the services for each non-monetary transaction.

3. Louisiana Yearly Expenditures & Employee Payroll

The production costs presented in this cost report include the following yearly Louisiana expenditures.

YEAR 1 Spend: \$_____

YEAR 2 Spend: \$_____

4. Non-Louisiana Costs

The production costs presented in this cost report include the following non-Louisiana costs:

Budget item: \$_____

Budget item: \$_____

5. Related Party Transactions

The production costs presented in this cost report include the following related party transactions (as defined by the accounting standards):

Disclose the following for each transaction:

- The name of the related party
- The nature of the relationship between the related party and the motion picture production company
- The nature of the transaction, and
- The amount of the transaction.